

Message Text

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ACTION XMB-07

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P 140810 Z MAY 73

FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 5742

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FOR CHAIRMAN KEARNS, EXIMBANK FROM AMBASSADOR RIVERO

E. O. 11652: N/ A

TAGS: ETRD, EFIN, SP

SUBJECT: FINANCIAL ASSISTANCE FOR ALTOS HORNO DEL MEDITERRANEO (AHM)

REF: STATE 87556

1. ALTOS HORNO DEL MEDITERRANEO PRESIDENT VILLAR MIR CALLED EMBASSY RE EXIMBANK' S GUARANTEE REQUIREMENT (PARA (2) REFTEL). MAIN POINT IN HIS CALLING WAS TO INFORM YOU THROUGH ME THAT US BIDS WILL NOT EVEN BE OPENED FOR CONSIDERATION IF EXIMBANK' S GUARANTEE REQUIREMENT IS NOT WAIVED. I URGE YOU TO OMIT THE GUARANTEE REQUIREMENT IF YOU POSSIBLY CAN BECAUSE ONLY IN THIS WAY WILL THE US STAND A CHANCE OF OBTAINING THE APPROXIMATE \$50 MILLION WORTH OF BUSINESS INVOLVED IN THIS TRANSACTION.

2. VILLAR MIR MADE THE FOLLOWING POINTS:

A) THE GOVERNMENT OF SPAIN IN THE PERSON OF FINANCE MINISTER MONREAL LUQUE HAS TAKEN THE POSITION OF INSISTING THAT NO GUARANTEES BE GIVEN ON THE AHM PROJECT. (THE LIMITED OFFICIAL USE

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EMBASSY SEPARATELY CONFIRMED THIS FACT WITH FINANCE MINISTRY DIRECTOR GENERAL FOR FINANCIAL POLICY VILARASAU SALAT). HE IS REPORTED TO HAVE SAID THAT AHM IS THE MOST IMPORTANT COMMERCIAL UNDERTAKING IN SPAIN AND THAT THE GOS IS INVOLVED THROUGH ITS 35 PERCENT OFFICIAL CREDIT AND THAT IT IS IN A SENSE A GOVERNMENT- CONTROLLED PROJECT RESPONDING TO GOVERNMENTAL STUDIES OF STEEL REQUIREMENTS; AS SUCH IT NEEDS NO OTHER GUARANTEE. THE SPANISH BANKERS PARTICIPATING IN THE PROJECT ARE SAID TO BE OF THE SAME OPINION.

B) ITALY AND JAPAN HAVE BOTH ACCEPTED THE WAIVING OF THE GUARANTEE REQUIREMENT. THE BRITISH HAVE ONLY YESTERDAY AGREED TO DO SO AND HAVE PROMISED TO PROVIDE VILLAR MIR WITH A WRITTEN CONFIRMATION OF THIS FACT.

C) ONLY ITALY (ASGEN AND INNOCENTI), JAPAN (ISHIKAWAJIMA AND MITSUBISHI) AND THE US (WEAN AND WESTINGHOUSE) ARE IN THE FINAL RUNNING. THE TWO AMERICAN FIRMS STAND A GOOD CHANCE TO GET THE BUSINESS SINCE IN TERMS OF QUALITY AND PRICE THEY ARE VERY COMPETITIVE. THE ONLY NON-COMPETITIVE ASPECT OF THE US BIDS IS THE GUARANTEE REQUIREMENT WHICH THE JAPANESE AND THE ITALIANS, AS WELL AS THE BRITISH WHO ARE OUT OF THE RUNNING IN ANY CASE FOR OTHER REASONS, HAVE WAIVED.

D) THE FINAL BIDS WILL BE OPENED THE 4 TH OF JUNE. IF WORD IS NOT RECEIVED BEFORE THAT TIME THAT THE EXIMBANK HAS WAIVED THE REQUIREMENT FOR A GUARANTEE, THE US BIDS WILL NOT EVEN BE OPENED AND WILL AUTOMATICALLY BE EXCLUDED FROM CONSIDERATION. THIS IS NOT A BARGAINING TACTIC BUT A FIRM AND STRAIGHT STATEMENT NOT ONLY OF THE COMPANY BUT THE GOVERNMENT POSITION.

E) IT WAS THOUGHT FROM PREVIOUS INDICATIONS THAT AFTER STUDY OF THE CASH FLOW AND OTHER FINANCIAL STATEMENTS THE EXIMBANK WOULD WAIVE THE GUARANTEE REQUIREMENT IF THEY WERE FOUND TO BE SATISFACTORY.

F) AS A MEASURE OF HOW HIGHLY REGARDED THE PROJECT IS IN INTERNATIONAL EYES VILLAR MIR POINTED OUT THAT LIMITED OFFICIAL USE

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THE CONSERVATIVE IFC HAS BEEN IN TOUCH WITH AHM AND WILL PROBABLY TAKE A 3.80 PERCENT PARTICIPATION, THOUGH THIS IS NOT YET FINALLY CONFIRMED.
RIVERO

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